Growing for the Future

Winnipeg, March 7, 1986

To Her Honour
The Honourable Pearl McGonigal
Lieutenant-Governor of the Province of Manitoba

May It Please Your Honour:

I have the honour to submit the Annual Report of The Manitoba Public Insurance Corporation for the year ended October 31, 1985.

Respectfully submitted,

John M. Bucklaschuk

Honourable John M. Bucklaschuk
Minister Responsible for
The Manitoba Public Insurance Corporation

Winnipeg, March 6, 1986

Honourable John M. Bucklaschuk
Minister Responsible for
The Manitoba Public Insurance Corporation

Sir:

In accordance with Section 37(1) of the Manitoba Public Insurance Corporation Act, I have the honour to present the Annual Report of The Manitoba Public Insurance Corporation for the fiscal year ended October 31, 1985.

Respectfully submitted,

O.P. Sigurdson

Olafur P. Sigurdson,
Chairman of
The Manitoba Public Insurance Corporation

Fourteenth Annual Report

The Manitoba Public Insurance Corporation

For The Fiscal Year Ending October 31, 1985

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Chairman's Message

During the 1984-85 fiscal year, The Manitoba Public Insurance Corporation again demonstrated the strong commitment to public service which has characterized the Corporation's 14-year history of growth and innovation.

As Chairman of the Board of Directors, I am honoured to be associated with the achievements which are detailed in this annual report and pleased to have this opportunity to express my appreciation to those whose efforts have earned the Corporation a leading position in the Canadian insurance industry.

The Corporation's reputation as an efficient, financially-responsible organization can be attributed largely to the effective management and dedicated service of its 933 employees, whose accomplishments have been, and will continue to be, a major factor in MPIC's record of progress. At the same time, the professionalism of MPIC's 394 agents, who provide insurance services and products to Manitobans in all areas of the province, has contributed immeasurably to the Corporation's success since its establishment in 1971, and the strong relationship which has developed between MPIC and its agency force is highly valued.

I would also like to extend thanks to my fellow Board members for their invaluable support during the past year, and to commend them for their guidance and leadership, which have greatly assisted the Corporation in fulfilling its commitment to the people of Manitoba.

That commitment extends far beyond the responsibilities traditionally associated with an insurance company. In addition to providing comprehensive insurance protection to the public at the lowest possible cost, MPIC plays a significant role in the economic and social development of the province. As a major purchaser of goods and services, for example, the Corporation generates employment in a wide range of secondary industries, including the automotive repair, recycling and construction trades. Reinvesting premium revenue in the province not only provides substantial investment income to assist in keeping premiums low, but also serves as an important source of development capital for many cities, towns and villages throughout Manitoba.

The Corporation continued to have a major positive impact on the provincial economy during the 1984-85 fiscal year, with long-term Manitoba-based investments increasing by 10.3 per cent to a total of $241.8 million. As well, MPIC paid a total of $7.2 million in levies assessed under The Insurance Corporations Tax Act and $481,000 toward the cost of municipal and school services in areas where the Corporation carries on business.

The developments of the past year clearly illustrate The Manitoba Public Insurance Corporation's ability to anticipate and respond to the changing insurance needs of Manitobans. In doing so, the Corporation has gained widespread recognition as a dynamic and financially-successful organization with the people, products and service required to meet the challenge of the future.

O.P. Sigurdson
Chairman of the Board

President's Message

This annual report shows The Manitoba Public Insurance Corporation as a financially-sound, efficient organization growing to meet the insurance requirements of the people of Manitoba.

The Automobile Insurance Division, which provides motorists with one of the most comprehensive packages of insurance in North America, again recorded encouraging financial results for the 1984-85 fiscal year. The Division ended the year with a net surplus of $9.3 million.

The two primary factors contributing to this positive performance were a substantial increase in investment income and a low ratio of administrative expenses. Investment income rose by $5.3 million to $35.3 million during the year, while the Division's administrative expenses, which comprise only 3.1 per cent of total revenues, remained considerably lower than industry averages. These important financial achievements play a significant part in keeping premiums the lowest in North America.

From 1982 to 1984, the Division's strong performance was highlighted by a relatively stable claims volume, which enabled the Corporation to reduce basic Autopac premiums by an average of 2 per cent, effective March 1, 1985. However, the province returned to more traditional claims patterns during the year under review, and the cost of claims increased by $25.1 million to a total of $203.9 million. Nevertheless, the Corporation's healthy financial position made it possible to maintain most basic Autopac premiums for the 1986 insurance year at the same levels as in 1985.

The General Insurance Division, although influenced by the same negative trends which have affected the property/casualty insurance industry, gained greater public acceptance during the year, as the number of new policies issued increased by 27.1 per cent.

Unfortunately, soaring claims costs have severely undermined the financial performance of many insurers throughout the country and this unsettling trend has had a similar impact on the operations of MPIC's General Insurance Division, which reported a loss of $4.9 million.

Part of the loss was also related to uncertainty in the international reinsurance market, which has produced industry-wide financial difficulties for the past several years. MPIC has responded to this problem by shifting more of its reinsurance portfolio to the domestic market, and this is expected to improve results over the long-term.

The overall success of the Corporation during the 1984-85 fiscal year can be attributed to the guidance of the Board of Directors and the dedicated efforts of management, staff and agents. We are particularly appreciative of the contributions of Mr. O.P. Sigurdson, who served as Chairman of the Board from October, 1982, to the end of this fiscal year.

C.A. Laufer, President
and General Manager

Board of Directors

Olafur P. Sigurdson, Chairman

Nancy J. Sullivan, Vice-Chairperson

Raynald C. Labossiere

Frances Jakeman

Rev. Donald M. Malinowski

Daniel J. Werbiski

Roland R. Laurin

R. Jim Dann

Robert M. Silver

Corporate Officers

(Seated): C.A. Laufer, President and General Manager.
(Left to Right): D.R. Kidd, Vice-President, Corporate Services;
H.P. Dribnenky, Vice-President, Finance;
B.W. Galenzoski, Vice-President, Administration;
S.S. Kapoor, Vice-President, Consumer Relations and General Counsel;
K.M. Jordon, Vice-President, General Insurance;
T.M. Petrishen, Vice-President, Corporate Claims.

Growing for the Future

With the number of automobile claims rising to a near-record level in the 1984-85 fiscal year, the Corporation embarked on a major building program to provide an enhanced level of service to the motoring public.

MPIC's newest drive-in claims centre opened for business in October, 1985. Located at 1103 Pacific Avenue in Winnipeg, the centre features a spacious garage area and a modern office environment for the convenience of claimants.

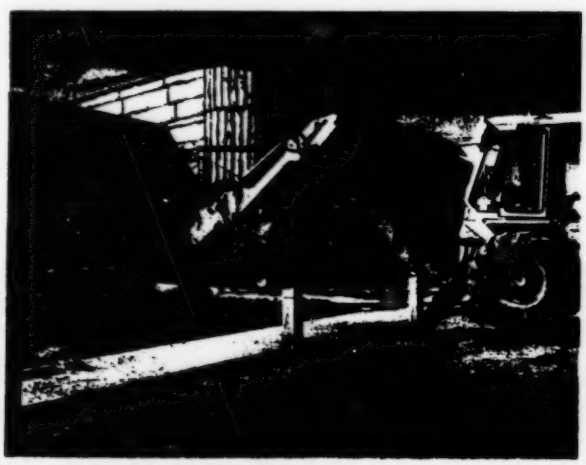
In addition to offering full claims service, including the convenient Dial-a-Claim system, to motorists in the north central area of the city, the new facility is expected to alleviate claims volume at existing centres in other parts of Winnipeg.

The North, South and West Winnipeg drive-in claims centres were also expanded, with about 2,000 square feet being added to each. As well, extensive work was completed at MPIC's Plessis Road salvage and commercial claims centre, including the construction of a new auction building, where total loss vehicles are sold to the public.

Another major improvement carried out in 1985 was the installation of new telephone equipment at all Winnipeg centres. This technologically-advanced system allows for greater efficiency in handling incoming calls from motorists, thereby speeding up the processing of claims.

The Corporation's Dial-a-Claim reporting procedure, introduced in Winnipeg in 1979, has also proven to be a great convenience. Dial-a-Claim was launched in Portage la Prairie and Steinbach in the fall of 1984, in Winkler in the summer of 1985, and will be operational in Thompson early in 1986. This brings to 12 the number of locations where Dial-a-Claim is available to the public.

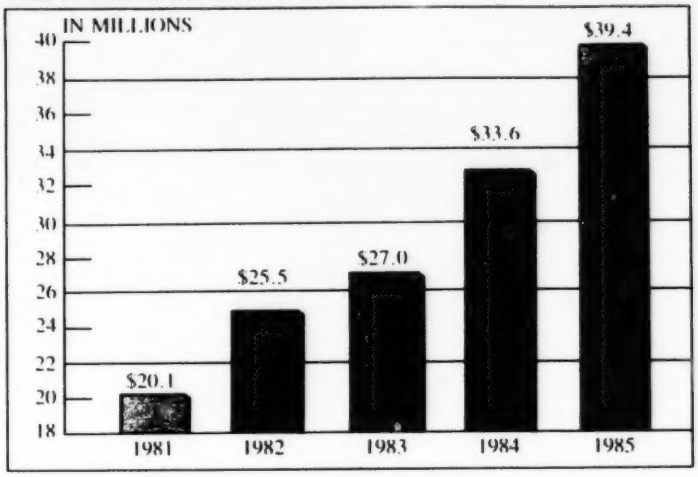
An advertising program was developed in 1984 to familiarize motorists with the advantages of the Dial-a-Claim service, and increased use by the public indicates that the concept is gaining wide acceptance across the province.



The Corporation constructed a new drive-in claims centre at 1103 Pacific Avenue in Winnipeg. Built at a cost of $1.75 million, the centre has a staff of about 50 people and will process approximately 20,000 automobile claims annually.

Growing for the Future

Total Investment Income 1981 to 1985



Where M.P.I.C.'s Funds are Invested

Investment Category	Amount Invested (Thousands of $)	% of Total
Provincial:		
Province of Manitoba	$ 96,610	34
Manitoba Hydro-Electric Board	23,032	8
Manitoba Telephone System	21,914	8
Ontario Hydro-Electric Commission	25,154	9
Hospitals	48,172	17
Municipal	28,720	10
Schools	23,310	8
Federal	14,843	6
TOTAL	**$281,755**	**100**

Investing in Manitoba's future, the Corporation's long-term Manitoba-based investment portfolio is held in provincial, hospital, school and municipal bonds and debentures. This portfolio contributes significantly to economic growth, providing development capital for many cities, towns and villages across the province.

During the 1984-85 fiscal year, these Manitoba-based investments increased by 10.3 per cent to a total of $241.8 million.

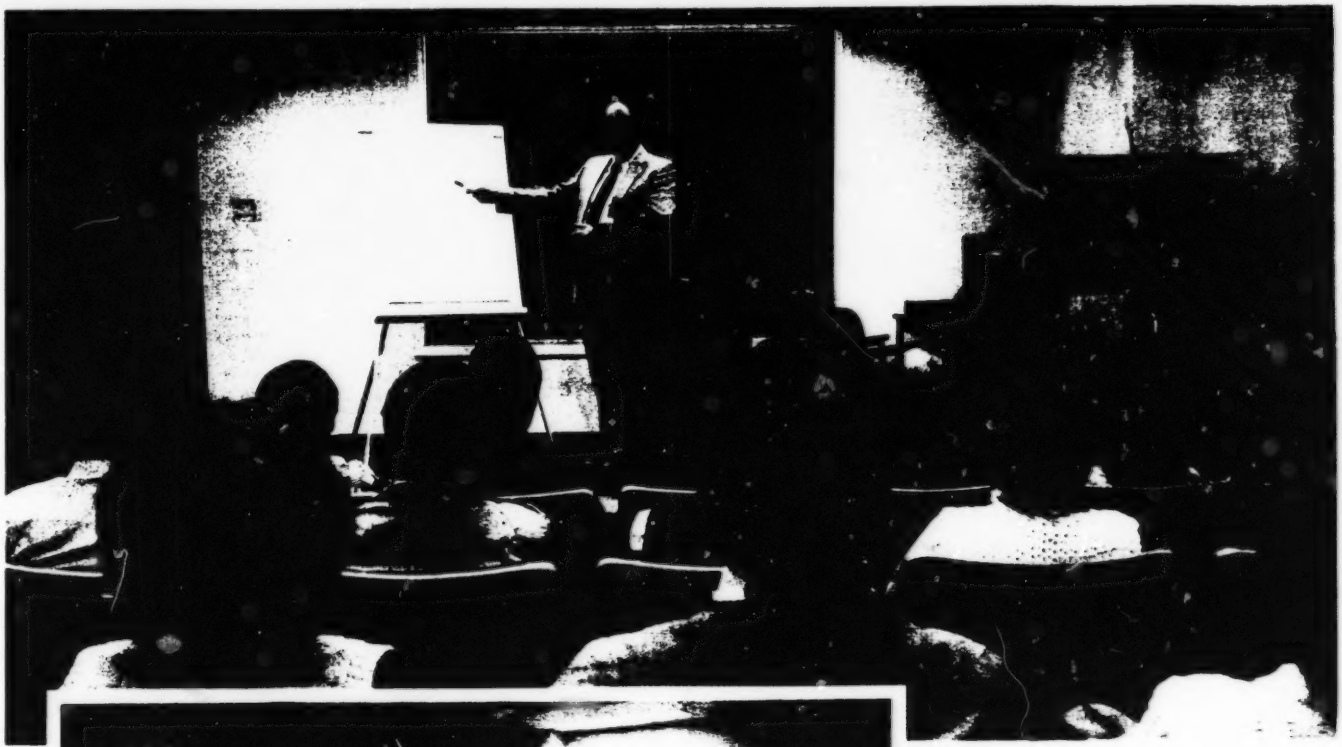
The investment income is an important source of revenue for the Corporation and helps in reducing the cost of insurance to Manitoba motorists.

Investing in Manitoba's people, MPIC is actively involved in supporting high school driver education programs and producing the "ALIVE" safety campaigns. In addition to its primary responsibility as an insurer, the Corporation places significant emphasis on safety-related matters.

MPIC pays most of the total costs of the driver education program, believing it makes good sense to invest in young people's driver training and to make the training as affordable as possible.

The "ALIVE" program is a multi-media educational campaign which emphasizes safety issues of concern to all Manitobans. The program has recently focused on the vital subjects of pedestrian corridors and drinking and driving.

Growing for the Future



Investing in Manitoba's insurance industry, the Corporation endorses and encourages educational programs and development. MPIC's staff receives ongoing professional training to enhance individual skills and improve levels of service to the public.

The Corporation is a major supporter of the Insurance Institute of Canada and provides facilities for industry-wide participation in Institute classes. MPIC also houses the library of the Insurance Women's Institute of Manitoba and the Corporation's employees actively participate in a wide range of industry-related professional associations.

The Financial Year in Review October 31, 1985

Although a significant increase in claims volume and continued instability in the international reinsurance market have adversely affected MPIC's financial performance, the Corporation reported a consolidated net profit of $4.4 million for the fiscal year ended October 31, 1985.

The Automobile Insurance Division, which accounts for 84.9 per cent of the Corporation's revenues, recorded a surplus of $9.3 million, compared with a surplus of $18.8 million for the 1983-84 fiscal year. Total earned revenues rose from $220.0 million to $236.1 million, but the additional revenue was more than offset by a 7.7 per cent increase in claims volume, as well as higher injury claims settlements and rising costs for automobile repair parts and labour. As a result, the cost of claims increased to $203.9 million from $178.9 million in the 1983-84 fiscal year.

The surplus enabled the Corporation to increase its catastrophe reserve by $3.5 million and its rate stabilization reserve by $5.8 million. These reserves, which protect motorists from sudden and unforseen increases in future claims costs, have strengthened MPIC's overall financial position and have played an important part in keeping Manitoba's automobile insurance premiums among the lowest in North America.

A dramatic increase in claims volume, combined with strong rate competition in the property/casualty insurance market, had a negative impact on the financial results of the General Insurance Division, which reported a $4.9 million operating loss. As in the 1983-84 fiscal year, unsettled conditions in the international reinsurance market, which led MPIC to shift to a more domestically-oriented book of business, continued to affect most insurers and reinsurers and again were a significant factor contributing to the loss in the General Insurance Division.

In most other areas, the Corporation achieved steady progress during the 1984-85 fiscal year. Investment income rose by $5.8 million to a total of $39.4 million, largely due to a substantial increase in the size of the investment portfolio, from $295.1 million to $321.2 million. Long-term Manitoba-based investments reached a total of $241.8 million, up from $219.2 million in the previous fiscal year.

Growth of the investment portfolio also contributed to an increase in the value of the Corporation's assets, which rose to $378.7 million from $336.6 million in 1983-84. In addition, the construction of a new drive-in claims centre in Winnipeg and a major expansion of four existing claims facilities in the city significantly increased the value of the Corporation's property and buildings, which totalled $11.8 million as of October 31, 1985.

Service to the public, an important cornerstone of the Corporation since its formation in 1971, continued to be a top priority during the 1984-85 fiscal year. The number of full-time employees rose to 933 from 867 in the previous year and a near-record 224,000 claims were processed in the Automobile Insurance Division. The General Insurance Division experienced a dramatic increase in the volume of new business written, reflecting the growing acceptance of MPIC's products and service among the insurance-buying public.

Five Year Comparison of Financial Statistics

Automobile Insurance Division

(Thousands of $)

	1985	1984	1983	1982	1981
Premiums Written	**$204,127**	$195,371	$186,206	$175,073	$157,807
Premiums Earned	**200,733**	189,956	182,131	169,376	148,237
Investment Income	**35,324**	30,067	24,277	22,654	17,747
Claims Costs	**203,938**	178,852	173,511	156,712	144,309
Premium Taxes	**6,105**	5,746	5,516	4,520	3,051

General Insurance Division

(Thousands of $)

	1985	1984	1983	1982	1981
Premiums Written	**$42,424**	$32,671	$23,056	$19,875	$13,354
Premiums Earned	**37,807**	31,466	22,547	18,357	12,235
Investment Income	**4,083**	3,548	2,733	2,849	2,388
Claims Costs	**32,531**	27,466	15,662	14,015	9,015
Premium Taxes	**1,137**	962	659	395	262

Automobile Insurance Division

At a time when automobile insurance premiums are increasing dramatically in other parts of Canada, MPIC's Automobile Insurance Division announced a general rate reduction during the 1984-85 fiscal year. Basic Autopac premiums were cut by an average of two per cent and further reductions were implemented for owners of older vehicles.

This is particularly significant in light of Autopac's extensive no-fault accident benefits, which are superior to those in most other jurisdictions. Manitobans who are injured in motor vehicle accidents are eligible for medical expenses up to a maximum of $20,000 per person, total disability payments of up to $300 per week, partial disability payments to a maximum of $60 per week and lump sum payments for physical impairment. In addition, every surviving dependent receives lump sum payments on the death of an insured. As well, funeral expenses are paid to a maximum of $1,500.

Dial-a-Claim reporting by telephone speeds claims processing for motorists.

Many of these important innovations have been made possible by the financial success achieved by the Automobile Insurance Division since its formation in 1971. Despite an increase of 14.0 per cent in claims costs, the Division recorded a surplus of $9.3 million for the fiscal year ended October 31, 1985.

Premiums earned of $200.7 million, together with investment income of $35.3 million, created total revenues of $236.0 million. Total claims and expenses, including administrative costs, commissions and premium taxes, increased to $226.7 million from $201.2 million in the previous year.

The increase in claims costs can be attributed mainly to a 7.7 per cent rise in the number of claims processed, from 208,000 to 224,000. Higher settlements and automobile repair costs were also major factors.

Of the $9.3 million surplus in 1984-85, $5.8 million was placed in the Corporation's rate stabilization reserve and $3.5 million in the catastrophe reserve. The rate stabilization reserve can be used to increase benefits or to offset significant increases in future claims costs. This plays an important role in maintaining insurance premiums at a reasonable level. The catastrophe reserve can be used to offset the cost of a major storm, natural disaster or other similar occurrence. Without these reserves, MPIC would be forced to raise rates substantially in the event of a catastrophe or if claims costs were to escalate.

As in past years, the Automobile Insurance Division also supported a number of important initiatives to create a greater public awareness of traffic safety, thereby reducing the social and economic costs of motor vehicle accidents. These included the donation of child restraint seats to community-based groups, financial support to the Manitoba Safety Council and Manitoba Trucking Association and a major commitment to the high school driver education program.

These loss prevention activities are based upon the philosophy that insurance costs can be controlled to a degree by encouraging motorists to become safer

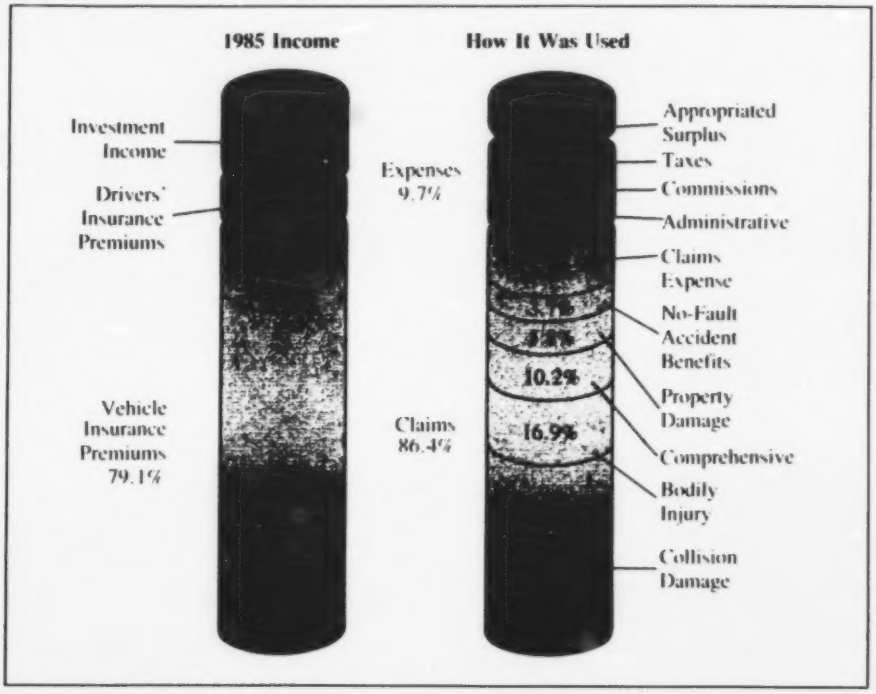
Total loss vehicles are sold by public auction and the revenue is placed in the insurance fund to help keep premiums as low as possible.

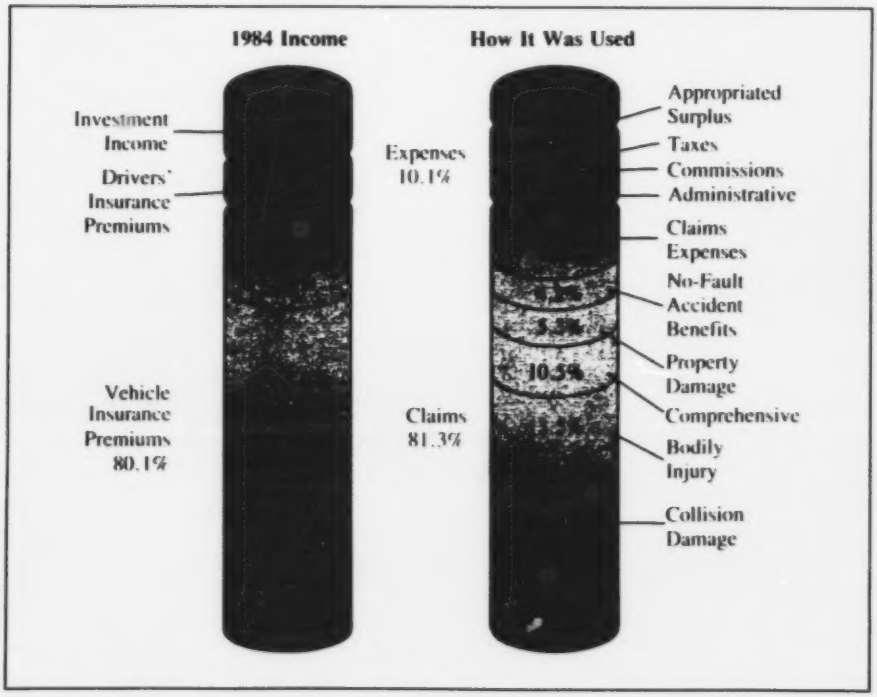
drivers. This concept also forms an integral part of the insurance rating system introduced to Manitoba by MPIC.

Under this system, insurance premiums are calculated on the basis of an individual's driving record, rather than the discriminatory criteria traditionally used by other insurers. Safe drivers, regardless of age, sex or marital status, pay the lowest premiums possible, while those with poor driving records are assessed additional charges. In this way, motorists who cause a greater number of accidents pay a larger proportion of claims costs.

Fair and equitable rates, combined with administrative efficiency and comprehensive insurance protection, have been key elements of the Automobile Insurance Division since 1971, giving Manitobans the best value for their insurance dollar.

Distribution of the Dollar





General Insurance Division

394 agents represent MPIC throughout Manitoba and provide personalized service to their clients.

A sophisticated policy production system has been introduced in the General Insurance Division to enhance service to agents and their clients.

Prompt and fair claims adjusting is a hallmark of the Division. The number of new policies issued increased by 27.1 per cent over 1983-84.

For the past several years, intensive price competition, spiralling claims costs and unstable market conditions have seriously hampered the financial performance of many insurance companies, both in Canada and throughout the world.

In some cases, these unsettling trends have forced weaker insurers to merge with more stable companies in an effort to solidify their position in the market. Others have fallen victim to heavy price-cutting and a steady erosion of underwriting standards, which have further weakened their ability to cope with massive financial losses, leading to insolvency.

The reinsurance market, where insurers minimize their exposure to large claims by spreading their risks among a pool of companies, has also experienced serious financial setbacks during the past two years. Mounting claims costs have placed even greater pressure on many insurance companies participating in the international reinsurance market, and a number of insurers have drastically reduced their acceptance of new risks in an attempt to cut losses.

Throughout this period, MPIC has taken a number of positive steps to maintain the financial integrity of the General Insurance Division and to enhance the Corporation's ability to provide insurance products and services specially tailored to meet the needs of Manitobans.

A responsible approach to rating and underwriting, combined with an aggressive marketing campaign emphasizing the benefits of MPIC's coverages, has enabled the General Insurance Division to become one of the leading insurers in the province. This pattern of steady growth, supported by the efforts of MPIC agents throughout Manitoba, produced encouraging results during the 1984-85 fiscal year, with the number of new policies issued increasing by 27.1 per cent over the previous year. In addition, changes initiated in 1984 have shifted the focus of MPIC's assumed reinsurance portfolio away from the volatile international market to a more domestically-oriented book of business. This restructuring continued in the fiscal year under review, with the objective being to improve the long-term performance of the Corporation's assumed reinsurance operations.

Nevertheless, the adverse conditions prevalent throughout the Canadian insurance industry significantly affected the results of the General Insurance Division in the 1984-85 fiscal year, when a loss of $4.9 million was reported.

Total earned revenues rose to $41.9 million, compared with $35.0 million for the previous year, primarily as a result of increases of $6.3 million in premiums earned and $535,000 in investment income. Offsetting these gains, however, was a substantial increase in claims costs, which climbed to $32.5 million from $27.5 million in the 1983-84 fiscal year.

Despite these somewhat disappointing results, MPIC's General Insurance Division continues to build on its proven record of providing comprehensive insurance protection for homeowners, tenants, farmers and business people. A growing demand for these high-quality products in the 1984-85 fiscal year offers tangible evidence of the Corporation's prominent position in the Manitoba insurance market.

The Manitoba Public Insurance Corporation

Administrative Offices and Claims Centres

Head Office
Brandon — 731 - 1st Street, R7A 6C3, 728-7120

Administrative Offices
Winnipeg — Box 6300,
9th Floor, 330 Graham Avenue,
R3C 4A4, 942-0331

Drive-In Claims Centres
Winnipeg —
445 King Street, R2W 5H2, 949-0872
125 King Edward Street E., R3H 0V9, 783-2114
930 St. Mary's Road, R2M 4A8, 257-8772
420 Pembina Highway, R3L 2E9, 475-1150
1103 Pacific Avenue, R3E 1G7, 944-9602
Brandon — 731 - 1st Street, R7A 6C3, 728-7120
Dauphin — Box 3000, 217 Industrial Road, R7N 2V5, 638-5111
Portage la Prairie — 2007 Saskatchewan Ave. W., R1N 3J9, 857-9751
Selkirk — 630 Sophia Street, R1A 2K1, 482-3839

Claims Offices
Flin Flon — Box 250, 8 Timber Lane Road, R8A 1M9, 687-7563
Steinbach — Box 2139, 110 Townline Road, R0A 2A0, 326-4453
Swan River — Box 1959, Highway #10 East, R0L 1Z0, 734-4574
The Pas — Box 9100, Otineka Shopping Mall, R9A 1R5, 623-6489
Thompson — Box 760, 80 Nelson Road, R8N 1N5, 778-7351
Winkler — Box 1990, 600 Memorial Drive, R0G 2X0, 325-9538

Commercial Automobile Claims
Winnipeg — 1981 Plessis Road, Box 32, Group 512, R2C 2Z2, 224-1291

Bodily Injury Claims Centre
Winnipeg — 8th Floor, 330 Graham Avenue, R3C 4A4, 942-0331

General Insurance Claims
Winnipeg — 8th Floor, 330 Graham Avenue, R3C 4A4, 942-0331

Salvage
Brandon — 731 - 1st Street, R7A 6C3, 728-7120
Dauphin — Box 3000, 217 Industrial Road, R7N 2V5, 638-5111
Winnipeg — 1981 Plessis Road, Box 32, Group 512, R2C 2Z2, 224-1291

Auditors' Report

The Board of Directors,
The Manitoba Public Insurance Corporation.

We have examined the balance sheet of The Manitoba Public Insurance Corporation as at October 31, 1985, and the statements of operations, retained earnings (deficit) and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at October 31, 1985, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Spicer MacGillivray

Chartered Accountants
Winnipeg, Manitoba
January 10, 1986

Statement of Operations - Automobile Insurance Division

For the Year Ended October 31, 1985

(Thousands of $)

	1985	1984
REVENUE		
Premiums Written	$204,127	$195,371
Premiums Earned	$200,733	$189,956
Investment Income	35,324	30,067
Total Earned Revenues	$236,057	$220,023
CLAIMS COSTS		
Claims Incurred	$182,205	$158,930
Claims Expense — Schedule 1	21,733	19,922
	$203,938	$178,852
EXPENSES — Schedule 1		
Administrative	$ 7,313	$ 7,987
Commissions	9,376	8,593
Premium Taxes	6,105	5,746
	$ 22,794	$ 22,326
Total Claims and Expenses	$226,732	$201,178
Net Profit for the Year — Statement 4	$ 9,325	$ 18,845

Statement of Operations - General Insurance Division

For the Year Ended October 31, 1985

(Thousands of $)

	1985	1984
REVENUE		
Premiums Written	$42,424	$32,671
Premiums Earned	$37,807	$31,466
Investment Income	4,083	3,548
Total Earned Revenues	$41,890	$35,014
CLAIMS COSTS		
Claims Incurred	$31,121	$26,191
Claims Expense — Schedule 1	1,410	1,275
	$32,531	$27,466
EXPENSES — Schedule 1		
Administrative	$ 5,164	$ 4,882
Commissions	7,922	6,519
Premium Taxes	1,137	962
	$14,223	$12,363
Total Claims and Expenses	$46,754	$39,829
Net Loss for the Year — Statement 4	$(4,864)	$(4,815)

Balance Sheet As At October 31, 1985

Assets

(Thousands of $)

	1985	1984
Cash and investments maturing within one year (Note 4)	$ 39,471	$ 54,154
Accounts receivable (Note 5)	30,228	20,334
Prepaid expenses and inventories	1,034	960
Deferred premium acquisition costs	9,515	7,990
Investments — Schedule 2	281,755	240,931
Property and equipment (Note 6)	11,848	8,187
Organizational expenses (Note 7)	4,869	4,031
	$378,720	$336,587

On Behalf of the Board

Chairman

Vice-Chairperson

Liabilities and Retained Earnings (Deficit)

(Thousands of $)

	1985	1984
General accounts payable	$ 2,990	$ 2,482
Provision for accrued charges	15,731	13,017
	$ 18,721	$ 15,499
Automobile Insurance Division		
Accounts payable and accrued charges	$ 5,322	$ 5,143
Unearned premiums	73,155	69,760
Unpaid claims	166,711	147,096
Retained earnings — Statement 4	71,269	61,944
	$316,457	$283,943
General Insurance Division		
Accounts payable and accrued charges	$ 1,056	$ 868
Unearned premiums	15,907	11,290
Unpaid claims	31,946	25,490
(Deficit) — Statement 4	(5,367)	(503)
	$ 43,542	$ 37,145
	$378,720	$336,587

Statement of Retained Earnings (Deficit)

For the Year Ended October 31, 1985

(Thousands of $)

	1985	1984
AUTOMOBILE INSURANCE DIVISION		
Unappropriated retained earnings at the beginning of the year	$ —	$ —
Net profit for the year — Statement 1	9,325	18,845
Transfer to reserve for catastrophes	(3,500)	(10,000)
Transfer to reserve for contingencies	—	(1,000)
Transfer to reserve for rate stabilization	(5,825)	(7,845)
Unappropriated retained earnings at the end of the year	$ —	$ —
Appropriated retained earnings		
Reserve for catastrophes (Note 8)	$42,000	$38,500
Reserve for contingencies (Note 8)	6,000	6,000
Reserve for rate stabilization (Note 9)	23,269	17,444
	$71,269	$61,944
Total retained earnings — Statement 3	$71,269	$61,944
GENERAL INSURANCE DIVISION		
(Deficit) unappropriated retained earnings at the beginning of the year	$ (503)	$ 312
Net loss for the year — Statement 2	(4,864)	(4,815)
Transfer from reserve for catastrophes and contingencies	—	4,000
(Deficit) at the end of the year	$ (5,367)	$ (503)
Total (deficit) — Statement 3	$ (5,367)	$ (503)

Statement of Changes in Financial Position

For the Year Ended October 31, 1985

(Thousands of $)

	1985	1984
RESOURCES PROVIDED		
Net profit for the year — Statement 1 and 2	$ 4,461	$14,030
Adjustments to convert net profit to a cash basis:		
Increase in unearned premiums	8,012	6,618
Increase in unpaid claims	26,071	32,966
Depreciation and amortization	899	840
Increase in accounts receivable, prepaid expenses and inventories and deferred premium acquisition costs	(11,493)	(2,193)
Increase in accounts payable and accrued charges	3,589	2,643
Proceeds from disposal of property and equipment	7	12
	$31,546	$54,916
RESOURCES APPLIED		
Acquisition of property and equipment	$ 4,282	$ 779
Organizational expenses	1,123	777
Net change in resources available for investment	$26,141	$53,360
CHANGE IN RESOURCES		
(Decrease) Increase in cash and short term investments	$(14,683)	$ 6,220
Increase in long term investments	40,824	47,140
	$26,141	$53,360

Schedule of Expenses Incurred

For the Year Ended October 31, 1985

(Thousands of $)

	1985	1984
Amortization of organizational expenses	$ 285	$ 285
Commissions	17,298	15,112
Data processing	1,452	1,670
Depreciation and amortization	614	555
Employee travel and sustenance allowance	511	501
Grants in lieu of taxes	481	473
Health and education tax	376	351
Premium taxes	7,241	6,708
Rent	1,373	1,278
Salaries and employee benefits	27,096	25,479
Other administrative expenses	3,433	3,474
Total expenses incurred	$60,160	$55,886
Allocation:		
Automobile Insurance Division — Statement 1		
Claims expense	$21,733	$19,922
Administrative expense	7,313	7,987
Commissions	9,376	8,593
Premium Taxes	6,105	5,746
	$44,527	$42,248
General Insurance Division — Statement 2		
Claims expense	$ 1,410	$ 1,275
Administrative expense	5,164	4,882
Commissions	7,922	6,519
Premium Taxes	1,137	962
	$15,633	$13,638
Total	$60,160	$55,886

Schedule of Investments AS AT OCTOBER 31, 1985

Description of Securities	Par Value	Book Value
Federal:		
Government of Canada	$ 15,000,000	$ 14,843,000
Provincial:		
Province of Manitoba	$ 97,090,000	$ 96,610,000
Manitoba Hydro-Electric Board	24,502,000	23,032,000
Manitoba Telephone System	22,449,000	21,914,000
Ontario Hydro-Electric Commission	28,500,000	25,154,000
	$172,541,000	$166,710,000
Hospitals:		
Arborg and Districts Health Centre	$ 2,108,000	$ 2,108,000
Baldur Hospital District	165,000	165,000
Brandon General Hospital	1,674,000	1,661,000
Boissevain Hospital District	680,000	680,000
Boyne Valley Hostel Corporation	912,000	912,000
Carman Memorial Hospital District No. 20	3,139,000	3,139,000
Dauphin General Hospital	45,000	45,000
Deloraine Hospital District No. 14	510,000	510,000
The De Salaberry Hospital District No. 27A	165,000	165,000
Flin Flon General Hospital	540,000	540,000
Gimli Hospital District #39	400,000	400,000
Grace General Hospital	789,000	643,000
Hamiota Hospital District #7A	70,000	70,000
Health Sciences Centre	1,682,000	1,610,000
Hunter Memorial Hospital District #33	1,050,000	1,050,000
Lakeshore District Health System Inc.	2,573,000	2,573,000
Lynn Lake Hospital District	92,000	92,000
MacGregor Personal Care Home	88,000	88,000
Manitoba Hospital Capital Financing Authority	3,691,000	3,691,000
Minnedosa Hospital District #8	35,000	35,000
Misericordia General Hospital	490,000	490,000
Morden Hospital District #21	529,000	529,000
Neepawa Hospital District #9	279,000	279,000
Park Manor Personal Care Home Inc.	114,000	114,000
Pine Falls General Hospital	225,000	225,000
Portage Hospital District #18	450,000	450,000
Red River Valley Health District	389,000	389,000
Roblin Health Centre District	704,000	704,000
Rossburn Personal Care Home Inc.	319,000	319,000
Russell Hospital District #8	360,000	360,000
St. Anthony's General Hospital — The Pas	540,000	540,000
St. Boniface General Hospital	40,000	34,000
Ste. Anne Hospital District No. 26A	1,745,000	1,745,000
Ste. Rose General Hospital	426,000	426,000
Seven Oaks General Hospital	2,630,000	2,145,000
Steinbach Hospital District #27	78,000	65,000
Swan River Hospital District #1	365,000	365,000

Schedule of Investments AS AT OCTOBER 31, 1985, CONTINUED

Description of Securities	Par Value	Book Value
Hospitals:		
Thompson General Hospital	1,285,000	1,262,000
Tri-Lake Hospital District #15	42,000	42,000
Victoria General Hospital	2,564,000	2,551,000
Victoria South Norfolk-Treherne Hospital District #19	178,000	177,000
Winkler General Hospital	60,000	52,000
Winkler Hospital District No. 23	380,000	380,000
Winnipeg General Hospital	78,000	67,000
Winnipegosis General Hospital Inc.	160,000	160,000
Baldur Manor	293,000	293,000
Betel Home Foundation — Gimli	110,000	110,000
Betel Home Foundation — Selkirk	365,000	365,000
Bethania Mennonite Personal Care Home Inc.	55,000	55,000
Birtle Health Services District	435,000	435,000
Birtle Personal Care Home Inc.	20,000	20,000
B.M.W. Health Facilities Inc.	30,000	30,000
Dauphin Personal Care Home Inc.	345,000	345,000
Ebenezer Home For The Aged	493,000	493,000
Fairview Home Inc.	45,000	45,000
Flin Flon Personal Care Home Corp.	900,000	900,000
Goodwin Lodge Inc.	85,000	85,000
Holy Family Nursing Home — Sister Servants of Mary Immaculate	705,000	705,000
Lorne Memorial Medical Nursing Unit No. 19C	130,000	130,000
McCreary/Alonsa Health Centre	5,000	5,000
McCreary/Alonsa Personal Care Home Inc.	105,000	105,000
Manitoba Baptist Home Society Inc.	25,000	25,000
Manoir De Ste. Claude	152,000	152,000
Mount Carmel Clinic	1,824,000	1,824,000
North Norfolk MacGregor Medical Nursing Unit District No. 18A	281,000	281,000
Odd Fellows and Rebekahs Personal Care Home Inc.	235,000	235,000
Pinaow Wachi Inc.	170,000	170,000
Portage la Prairie Lions Care Hostel Inc.	105,000	105,000
Red River Valley Lodge Inc. — Emerson	20,000	20,000
Riverdale Health Services District	149,000	149,000
Riverdale Personal Care Home	132,000	132,000
Rock Lake Health District	895,000	895,000
Rock Lake Personal Care Home Inc.	220,000	220,000
Rosewood Lodge Inc.	48,000	48,000
Rossburn District Health Centre	635,000	635,000
St. Joseph's Residence	735,000	735,000
Shoal Lake/Strathclair Health Centre	134,000	134,000
Sister Servants of Mary Immaculate — St. Paul's Home	52,000	52,000
Snow Lake Medical Nursing Unit District #40	635,000	635,000
Stonewall & District Health Centre	231,000	231,000
Swan River Valley Lodge	20,000	20,000

Schedule of Investments AS AT OCTOBER 31, 1985, CONTINUED

Description of Securities	Par Value	Book Value
Hospitals:		
Tabor Senior Citizens Home Inc.	596,000	596,000
Tache Nursing Centre	840,000	840,000
The Pas Health Complex Inc. — St. Paul's Residence	375,000	375,000
The Pas Health Complex Inc. — St. Anthony's General Hospital	515,000	515,000
Tiger Hills Manor Inc.	8,000	8,000
Third Crossing Manor Inc.	96,000	96,000
Wawanesa & District Health Centre	39,000	39,000
Wawanesa Personal Care Home	245,000	245,000
Winnipeg Presbytery Society For Senior Citizens Homes In Winnipeg	60,000	60,000
Winnipegosis-Mossy River Personal Care Home Inc.	342,000	342,000
Whitemouth Medical Nursing Unit District #29A	190,000	190,000
	$ 48,963,000	$ 48,172,000
Schools:		
The Agassiz School Division #13	$ 953,000	$ 953,000
Antler River School Division No. 43	112,000	112,000
Assiniboine South School Division No. 3	260,000	260,000
Beautiful Plains School Division No. 31	57,000	57,000
Brandon School Division #40	778,000	778,000
Churchill School Division No. 2264	49,000	49,000
Dauphin-Ochre School Area #1	1,674,000	1,674,000
Duck Mountain School Division #34	493,000	493,000
Flin Flon School Division #46	602,000	602,000
Fort Garry School Division No. 5	511,000	511,000
Frontier School Division No. 48	156,000	156,000
Garden Valley School Division No. 26	2,215,000	2,215,000
Hanover School Division #15	192,000	192,000
Interlake School Division #21	656,000	656,000
Lakeshore School Division No. 23	336,000	336,000
Leaf Rapids School Division #2460	240,000	240,000
Lord Selkirk School Division No. 11	361,000	361,000
Morris-MacDonald School Division No. 19	288,000	288,000
Mystery Lake School Division No. 2355	1,533,000	1,533,000
Norwood School Division No. 8	68,000	68,000
Portage la Prairie School Division #24	1,298,000	1,298,000
Rhineland School Division #18	196,000	196,000
River East School Division #9	758,000	758,000
Rolling River School Division #39	340,000	340,000
St. James-Assiniboine School Division #2	308,000	308,000
St. Vital School Division #6	1,838,000	1,838,000
Seine River School Division #14	1,661,000	1,661,000
Seven Oaks School Division #10	217,000	217,000
South Winnipeg Technical Centre	887,000	887,000
South Winnipeg Vocational Education Centre	978,000	978,000
Swan Valley School Division #35	113,000	113,000

Schedule of Investments AS AT OCTOBER 31, 1985, CONTINUED

Description of Securities	Par Value	Book Value
Schools:		
Tiger Hills School Division #29	128,000	128,000
Transcona School Division #12	247,000	247,000
Western School Division #47	114,000	114,000
Winnipeg School Division No. 1	2,090,000	2,090,000
The White Horse Plain School Division #20	603,000	603,000
	$ 23,310,000	$ 23,310,000
Municipal:		
City of Brandon	$ 1,712,000	$ 1,609,000
City of Flin Flon	1,763,000	1,763,000
City of Portage la Prairie	3,723,000	3,691,000
City of St. Vital	65,000	58,000
City of Transcona	208,000	187,000
City of Winnipeg	5,008,000	4,735,000
Fort Garry Municipality Local Improvements	2,000	2,000
Metro Corp. of Greater Winnipeg	497,000	403,000
Town of Altona	543,000	543,000
Town of Birtle	68,000	67,000
Town of Boissevain	26,000	24,000
Town of Brandon	96,000	94,000
Town of Carman	493,000	493,000
Town of Dauphin	254,000	254,000
Town of Deloraine	564,000	564,000
Town of Emerson	316,000	316,000
Town of Gimli	33,000	33,000
Town of Gladstone	254,000	254,000
Town of Grandview	286,000	286,000
Town of Hartney	10,000	9,000
Town of Killarney	294,000	294,000
Town of Melita	343,000	343,000
Town of Minnedosa	235,000	225,000
Town of Morden	425,000	425,000
Town of Morris	256,000	256,000
Town of Neepawa	445,000	445,000
Town of Rapid City	108,000	108,000
Town of Rivers	55,000	49,000
Town of Roblin	218,000	216,000
Town of Russell	198,000	198,000
Town of Selkirk	510,000	507,000
Town of Snow Lake	91,000	91,000
Town of Steinbach	1,606,000	1,587,000
Town of Stonewall	270,000	270,000
Town of Swan River	510,000	510,000
Town of The Pas	22,000	21,000
Town of Tuxedo	90,000	82,000
Town of Virden	228,000	228,000
Town of Winkler	173,000	172,000

Schedule of Investments AS AT OCTOBER 31, 1985, CONTINUED

Description of Securities	Par Value	Book Value
Municipal:		
Town of Winnipeg Beach	58,000	58,000
Village of Arborg	79,000	79,000
Village of Benito	41,000	41,000
Village of Binscarth	75,000	75,000
Village of Ethelbert	12,000	12,000
Village of Glenboro	9,000	8,000
Village of Gretna	22,000	22,000
Village of Hamiota	27,000	27,000
Village of Lac du Bonnet	153,000	153,000
Village of MacGregor	100,000	100,000
Village of Manitou	131,000	131,000
Village of Pilot Mound	108,000	108,000
Village of Riverton	8,000	8,000
Village of Rossburn	51,000	51,000
Village of Shoal Lake	178,000	178,000
Village of Somerset	40,000	40,000
Village of Ste. Anne	7,000	7,000
Village of St. Pierre-Jolys	277,000	277,000
Village of Teulon	39,000	39,000
Village of Winnipegosis	62,000	62,000
Rural Municipality of Albert	5,000	5,000
Rural Municipality of Argyle	37,000	37,000
Rural Municipality of Brenda	51,000	51,000
Rural Municipality of Brokenhead	239,000	239,000
Rural Municipality of Cartier	10,000	10,000
Rural Municipality of Charleswood	28,000	25,000
Rural Municipality of Edward	142,000	142,000
Rural Municipality of Hanover	239,000	239,000
Rural Municipality of La Broquerie	24,000	24,000
Rural Municipality of MacDonald	367,000	367,000
Rural Municipality of Montcalm	177,000	177,000
Rural Municipality of Morris	575,000	575,000
Rural Municipality of Morton	8,000	8,000
Rural Municipality of North Norfolk	145,000	145,000
Rural Municipality of Ritchot	421,000	421,000
Rural Municipality of Rockwood	121,000	121,000
Rural Municipality of Roland	119,000	119,000
Rural Municipality of Ste. Rose	19,000	19,000
Rural Municipality of Siglunes	149,000	149,000
Rural Municipality of Springfield	27,000	27,000
Rural Municipality of Strathcona	8,000	8,000
Rural Municipality of Tache	24,000	24,000
Rural Municipality of Thompson	39,000	39,000
Rural Municipality of Victoria Beach	37,000	36,000
Rural Municipality of Whitewater	23,000	23,000
Local Government District of Consol	385,000	385,000
Local Government District of Leaf Rapids	2,417,000	2,417,000
	$ 29,311,000	$ 28,720,000
	$289,125,000	$281,755,000

Notes to the Financial Statements

OCTOBER 31, 1985

1. *Status of the Corporation.*
The Manitoba Public Insurance Corporation was incorporated as a Crown Corporation under The Automobile Insurance Act in 1970. In 1974 The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180, of the continuing consolidation of the statutes of Manitoba).
Under the provisions of its Act, the Corporation conducts a comprehensive automobile program and general insurance business. For financial accounting purposes the automobile and general insurance divisions are regarded as separate operations.

2. *Basis of Reporting.*
The financial statements of the Corporation are in such form as prescribed by Section 37(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with generally accepted accounting principles.

3. *Summary of Significant Accounting Policies.*
This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

Deferred Premium Acquisition Costs.
Commissions and premium taxes are charged to expense over the terms of the insurance contracts to which such costs relate.

Investments.
Bonds and debentures are carried at cost plus accumulated amortization of discounts and premiums. The applicable discounts and premiums are amortized over the life of the investment.

Notes to the Financial Statements
CONTINUED

Depreciation and Amortization.
Depreciation and amortization is provided on a straight-line basis at rates which will amortize the original cost over the estimated useful life of each asset. The annual rates are:

Buildings	2.5%
Organizational expenses	5.0%
Equipment	10.0%
Data processing equipment	20.0%
Automotive equipment	20.0%

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Pension Plan.
The employees of the Corporation are subject to the Civil Service Superannuation Act and it is the policy of the Corporation to provide for the employer's future pension liability which is fully funded on an indexed basis.

Unearned Premiums.
The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Unpaid Claims.
Unpaid claims include a provision for reported unpaid claims, an estimate for unreported claims and a provision for future claims adjusting costs for reported and unreported claims.

Investment Income.
The investment income has been allocated to the automobile and general insurance divisions based on a monthly averaging of the funds available within each division.

Expenses.
The Corporation allocates expenses incurred to the automobile and general insurance divisions on the following basis:

i) Identifiable direct expenses are charged to each division.

ii) Where direct allocation is impractical, expenses are allocated to each division based on a proration approved by the Corporation's Board of Directors.

4. a) *Cash and Investments Maturing Within One Year.*

	1985	1984
	(Thousands of $)	
Cash and Investment Certificates	$32,388	$48,023
Bonds and Debentures	7,083	6,131
	$39,471	$54,154

b) As at October 31, 1985 the Corporation has committed $125,000 (1984 - $16.0 million) for the purchase of various Manitoba long term securities.

5. *Accounts Receivable.*

	1985		1984	
	Subrogation	Other	Subrogation	Other
	(Thousands of $)			
Accounts receivable	$ 8,355	$27,309	$ 6,015	$17,668
Less allowance for doubtful accounts	4,988	448	3,087	262
	$ 3,367	$26,861	$ 2,928	$17,406

Notes to the Financial Statements
CONTINUED

6. *Property and Equipment.*
The cost of major classes of property and equipment and the related accumulated depreciation and amortization are:

	Cost	Accumulated Depreciation and Amortization	Net Book Value 1985	Net Book Value 1984
	(Thousands of $)			
Land	$ 2,262	$ —	$ 2,262	$ 1,635
Buildings	8,946	1,394	7,552	4,624
Equipment	3,103	1,764	1,339	1,140
	$14,311	$ 3,158	$11,153	$ 7,399
Leasehold improvements	1,342	647	695	788
	$15,653	$ 3,805	$11,848	$ 8,187

7. *Organizational Expenses.*

	Cost	Accumulated Amortization	Net Book Value 1985	Net Book Value 1984
	(Thousands of $)			
Automobile insurance division	$4,709	$3,060	$1,649	$1,884
General insurance division	3,718	498	3,220	2,147
	$8,427	$3,558	$4,869	$4,031

During the 1983 fiscal year the Corporation initiated a major project for the re-development of the general insurance system. The cost of this project is being capitalized and will be amortized at the straight-line rate of 5% per annum when the new system is operational.

8. *Reserves for Catastrophes and Contingencies.*
These reserves will assist in protecting the Corporation against future catastrophic losses and unforeseen events that may arise.

9. *Reserve for Rate Stabilization.*
This reserve may be utilized to offset increases in insurance rates or for providing increased benefits under the automobile plan.